

**BUSINESS ASSISTANCE PROGRAM GUIDELINES ATTACHMENT  
SECTION II, PART I.B.5.**

***1.0 INTRODUCTION***

The purpose of the Calexico Revolving Loan Fund (CRLF) is to help create and retain jobs by providing businesses within the City limits of Calexico/Redevelopment Agency Project Areas with gap financing for start-up, ongoing operations and expansions. More than 51% of jobs retained and created through the CRLF are for persons from low-income households.

Loan repayments made from the Community Development Block Grant (CDBG) and RDA funds are “reinvested” to be loaned again in the same program. These funds perpetually revolve to create additional jobs, assisting more businesses and projects, and providing significant benefits beyond the CRLF’s first round of lending.

Standards for the CRLF portfolio are designed to achieve the economic objectives of the CRLF program and address the financial needs problems of the community. Individual loans will generally conform to these standards, but may vary depending upon the economic benefits to be achieved by each loan; however, the total cumulative impact of all loans will achieve the standards specified.

***2.0 PURPOSE AND OBJECTIVES***

**2.1 PURPOSE:**

The purpose of the CRLF is to bridge the financial gap that would otherwise prevent a project from moving forward. No more than 40% of a project's total financing requirements can be provided through the CRLF. The program seeks to assist those businesses and projects that have the greatest potential for long-term job creation and retention, and requires that 51% of jobs created or retained with CDBG funding be for individuals from low and moderate-income households.

All types of private businesses are eligible to apply for CRLF assistance, except non-profit corporations, media firms, lending institutions, recreation and amusement parks, and real estate investment companies.

The CRLF is to be used for expansion of locally owned businesses, creation of low and moderate income jobs accessible to residents of Calexico, and retention of low and moderate income jobs, goods and services for residents of Calexico.

Small businesses, as defined by SBA, will be eligible to apply for CRLF assistance, the following will apply in determining business size:

- Manufacturing - up to 500 employees
- Service - up to \$3.5 million in annual revenues
- Wholesale - up to 100 employees
- Retail - up to 100 employees and \$3.4 million in annual sales
- Contractors - up to \$7 million in annual revenue

No applicant will be denied a loan on the basis of race, color, national origin, religion, age, handicap or sex. All applicants must demonstrate a reasonable financial ability to repay the debt, and must have experience in operating the business for which they require financing.

The CRLF will assist businesses and projects that start-up, expand, or locate within the City limits of the City of Calexico and Calexico Redevelopment Agency Project areas. In the event that there is a business within a City that does not have an active CRLF program and has a project that the City believes will meet the City's community development needs. The City will consider such a loan consistent with CDBG requirements. The CRLF proceeds can be used to finance:

- A. Working Capital,
- B. Equipment Acquisition,
- C. Land Acquisition
- D. Construction, and
- E. Fixed Asset Loans

## **2.2 ECONOMIC BENEFITS & OBJECTIVES:**

Loans made under the CRLF must meet these criteria:

- A financial gap exists that hinders the business from obtaining or affording the project without the CRLF.
- Terms and conditions of the CRLF are appropriate to meet the economic benefit and objectives of the CRLF program.
- A sufficient number of jobs will be created or retained as a result of the CDBG-assisted project.
- The loan meets the CRLF's underwriting criteria.
- At least 51% of the jobs created and/or retained must be for the Target Income Group (TIG). The TIG is a low/moderate income person whose household income does not exceed 80% of county median household income. In order to meet the criterion for

created/retained jobs, the employees must be from the TIG at the time they are hired or retained. For job retention projects, an income self-certification will be conducted on all employees prior to the approval of the loan. After the loan is funded, a representative of RDA will screen the retained employees' income to determine the accuracy of the self-certifications. For job creation projects, all of the TIG employees will be income screened by One Stop Employment Center.

- Program Income Limits:

Area Median Income: \$ 39,200								
	NUMBER OF PERSONS IN FAMILY							
Standard	1	2	3	4	5	6	7	8
Very low income	13700	15700	17650	19600	21150	22750	24300	25850
Lower income	21950	25100	28200	31350	33850	36400	38900	41400
Median income	27450	31350	35300	39200	42350	45450	48600	51750
Moderate income	32950	37650	42350	47050	50800	54600	58350	62100

## 2.3 SOURCE OF FUNDING:

The source of funding for the CRLF is the State of California Community Development Block Grant Program and the Calexico Redevelopment Agency.

## *3.0 DESCRIPTION OF FUNDING*

### 3.1 GUIDELINES & FEATURES:

The minimum/maximum CRLF Program loan amounts:

	<b>CDBG LOANS</b>	<b>RDA LOANS</b>
Minimum	\$ 5,000	\$ 5,000
Maximum	\$ 50,000	\$ 100,000

All Loans will require approval from the Calexico Redevelopment Agency Board.

- **Leveraging:** The CRLF Program's overall goal is to leverage two private dollars for every one CRLF dollar loaned. In order to assure that CRLF loan funds do not substitute for private funds, each loan applicant must demonstrate that funds were not available from private sources or that the project

could not proceed without CRLF financing. Private financing is considered owner's equity, SBA financing, private financing, or other capital injection.

- **Loan Terms:** The term of the loan will be based on the businesses' ability to repay on a case-by-case basis. The RDA Loan Review Committee (LRC) will make the appropriate recommendation based on the following options: 1) Fixed interest rates and equal monthly payments of principal and interest which are fully amortized over the term of the loan; and, 2)
- **Interest Rate:** A fixed interest rate established at a minimum of 2% below the prime interest rate and a maximum of 2% above the prime interest rate on the date of approval.
- **Loan Fee:** Reasonable loan fees may be charged to cover the cost of legal, accounting, and other administrative costs. For the purpose of the CRLF Program, RDA will acquire the services of a consultant to underwrite all loan requests.
- **Prepayment Penalty:** None
- **Job Creation/Retention:** A minimum of one full time equivalent job (1,750 hours annually) per \$35,000 loaned shall be achieved for each loan. Two part-time jobs (at least 875 annually) can be aggregated to count as one full time equivalent job if they are matched with an additional full-time position. For loans meeting the national objective of principally benefiting the Targeted Income Group (TIG), at least 51% of the jobs created/retained shall be held by TIG persons. In addition, a minimum of 30% of the jobs created under the CRLF must be available to low-income residents of the community who are unemployed. Jobs retained under the CRLF must meet low-income qualifications as per HCD regulations.
- **Collateral Requirements:** The CRLF requires security for loans provided under this program. In projects involving direct working capital loans, collateral may include, but not be limited to the following:
  - Liens on inventory,
  - Liens on receivables,
  - Liens on fixed assets and/or,

Liens on other available assets.

In projects involving fixed asset loans, collateral may include, but not be limited to the following:

Liens on the assets to be financed and/or  
Liens on other assets of the company.

In addition to the above forms of security the CRLF may also require interest in real property, assignments of patents and licenses, lease or stock certificates, qualified guarantors, and such other security as the LRC may determine is necessary to limit the CRLF's exposure.

A minimum of 10% equity will generally be required for existing businesses.

A minimum of 30% equity will generally be required for star-up businesses.

### **3.2 GENERAL ADMINISTRATIVE FEATURES:**

- Confidentiality of Client Financial Information, as allowed by law.
- Equal Opportunity/Affirmative Action Policy.
- Attorney review of all contracts and legal forms.
- Monitoring and Reporting Forms.
- Collection and Foreclosure Policy.
- Compliance with HCD and HUD regulations.
- The RDA will be responsible for overall project billing and payment collections, marketing, loan evaluation, loan packaging, and monitoring business progress.

### **3.3 PROJECT EVALUATION CRITERIA:**

- The number of jobs created/retained and the percentage benefiting members of the Targeted Income Group.
- The amount of private dollars leveraging CRLF funds.
- The financial viability of the proposed project.
- The demonstrated need for the CRLF funds ("appropriate" test).

### **3.4 GENERAL CREDIT REQUIREMENTS:**

A Loan Applicant must be:

- Be of good character,
- Show ability to operate a business successfully,
- Have enough borrowing ability or equity to operate, with the CRLF loan, on a sound financial basis,
- Show the proposed loan is of sound value or reasonably secure to assure repayment, and
- Show that the past earning record and future prospects of the business indicate ability to repay the loan and other fixed debt, if any, out of the profits.

RDA will be the initial contact for potential CRLF applicants. RDA staff will screen the loan applicants prior to recommending potential applicants to the LRC and underwriting consultant.

### **3.5 LOAN PACKAGING:**

RDA staff will be responsible for the CRLF loan packaging activities. RDA staff will package the loans prior to sending them to the Loan Review Committee (LRC), where the loan application will be reviewed and referred to the Underwriting Consultant who will begin preparation and acquiring of credit memos, credit reports, in depth financial analysis and underwriter's loan recommendations and commitments to the LRC.

### **3.6 LOAN REVIEW:**

The Loan Review Committee (LRC) shall be responsible for reviewing funding proposals and making recommendations to RDA Board. The Director of the RDA will make the final decision based on LRC recommendation of all loan applications submitted, including terms and conditions of loan agreements. The LRC shall be comprised of:

- Three members representing the financial services industry,
- One member representing RDA,
- City Treasurer,
- One members representing local business.

All projects meeting the established criteria shall be brought before the LRC.

### **3.7 LENGTH OF REVIEW PROCESS:**

The length of the loan review process will be 2 to 6 weeks, determined on a case-by-case basis. It is the desire of both the RDA staff and the members of the Loan Review Committee to make sound loan decisions that will benefit business, community, and TIG persons alike. To ensure that hasty loan decisions are not made, no specific length of time will be set for all loan reviews. However, all loans will be reviewed in a timely manner based upon the specifics of the application.

### **3.8 LINKING JOBS WITH LONG-TERM UNEMPLOYED:**

RDA works closely with the Workforce Investment Board (WIB), its One Stop Employment

Center operator, and Partner Agencies to support the Workforce Investment Act (WIA) programs and services for unemployed and low and moderate-income persons. With the assistance of the State Employment Development Department One Stop Employment Center, RDA and these entities regularly promote job-training activities and provide labor market information to potential employers in the area. Early and consistent involvement of these entities with each loan applicant will be a policy of the CRLF Program. Partner agencies include the Department of Social Services, CalWORKS, job-training providers, vocational rehabilitation, and other entities as mandated by the Workforce Investment Act.

The training, recruitment and placement activities currently conducted by the One Stop Employment Centers and its Partners is the primary vehicle for ensuring that the unemployed, under-employed and low and moderate income persons are linked with the jobs created through the CRLF Program. The WIB provides for training and can be tailored specifically to meet a company's needs. Loan recipients in the CRLF will be provided with a detailed description of the services and financial benefits of participation in the WIB, and all services available to employers at the One Stop Employment Centers. The Calexico Redevelopment Agency will use cooperative agreements with the WIB, the One Stop, and Partner entities to ensure that all borrowing companies have an opportunity to consider using services needed.

All loan recipients will be required to sign a Loan Agreement. This Loan Agreement includes a Non-Financial Employment Plan Agreement listing specific jobs to be created with CRLF funds and designating the One Stop Employment Centers and its Partners as the primary personnel resource for all available positions.

## ***4.0 ELIGIBILITY***

### **4.1 ELIGIBLE APPLICANTS:**

Eligible applicants include all types of existing and start-up small businesses except non-profit corporations, media firms, lending institutions, recreation and amusement parks, and real estate investment companies. The project to be financed with the CRLF Program must be within the incorporated area of the City of Calexico.

Small businesses, as defined by SBA will be eligible to apply for CRLF assistance. They must be independently owned and operated to generate a profit. Additionally, the following will apply in determining business size:

- Manufacturing – up to 500 employees
- Service – up to \$3.5 million in annual revenues
- Wholesale – up to 100 employees
- Retail – up to 100 employees and \$3.4 million in annual sales
- Contractors – up to \$7 million in annual revenue

### **4.2 ELIGIBLE USES:**

CRLF loans may be provided for construction, land acquisition, equipment acquisition, working capital, and fixed asset loans. If CDBG/CRLF loans are used for construction, Davis-Bacon and/or State prevailing wages may apply.

### **4.3 INELIGIBLE USES:**

Funded business activities will be required to be located in the city limits of the City of Calexico/ Calexico Redevelopment Project Areas for funding under the Community Development Block Grant (CDBG) under the Calexico Redevelopment Agency. Ineligible uses of the funds are all uses that are not associated construction, land acquisition, equipment acquisition, working capital, and fixed asset loans.

### **4.4 ELIGIBLE PROJECTS:**

Project eligibility is based on the project satisfying the CDBG Program's national objective of principally benefiting targeted income group persons through job creation and retention. Additionally, the eligibility of a project and portion of CDBG assistance granted is dependent upon an assessment of the extent to which the loan will meet the CDBG Program's national objectives.

### **4.5 ELIGIBLE COSTS:**

Eligible costs in the CRLF Program are all those costs associated with construction projects, land acquisitions, equipment acquisitions, working capital, and fixed asset loans, including program



operator's administration and activity delivery costs.

#### **4.6 INELIGIBLE COSTS FOR CDBG LOANS:**

Ineligible costs in the CRLF Program are all those costs not associated with construction projects, land acquisitions, equipment acquisitions, working capital, and fixed asset loans.

### ***5.0 ROLE OF THE PARTICIPANTS***

#### **5.1 ROLE OF THE PROGRAM OPERATOR:**

The Calexico Redevelopment Agency staff will, as required:

- Publicize and market the CRLF,
- Screen all applicants for loans,
- Process and package the applications of potential loan candidates
- Refer potential loan candidates to the LRC,
- If approved, assist City with loan processing and closing,
- Once closed, monitor the loan, maintain the loan records, and monitor compliance with job objectives,
- Perform the duties of the loan collection agent,
- Present appealed loan denials to the LRC,
- Ensure that CRLF funds are not utilized by businesses relocating and displacing workers,
- Ensure that NEPA and CEQA requirements are followed during the CRLF loans.

#### **5.2 ROLE OF THE LOAN COLLECTION AGENT:**

RDA staff will perform the duties of the loan collection agent, which will include the following:

- Loan servicing and accounting,
- Provide monthly receipts of loan payments,
- Provide quarterly statements on each loan to the Redevelopment Agency Board and the LRC,
- In concurrence with the City's legal counsel, under take loan collections, including asset liquidation,
- Obtain credit reports on all loan applicants.

### **5.3 ROLE OF THE LOAN REVIEW COMMITTEE (LRC):**

The Loan Review Committee will review the potential loan applications, and packages, which have been prepared by RDA staff. The LRC will vote as to whether or not the loan should be funded and will send its recommendations to the Calexico Redevelopment Agency Board of the City of Calexico for final approval.

## ***6.0 LOAN SELECTION & APPROVAL PROCESS***

### **6.1 PROCESS:**

#### **6.1. (A) MARKETING:**

RDA staff will conduct direct mailings and make presentations to local businesses and associations. Materials will also be distributed to financial institutions, chambers of commerce and other business and civic associations. Upon notification of a grant award, RDA staff will publish announcements of the CRLF Program in order to notify potential borrowers of the availability of the CRLF and the procedure for obtaining a loan application.

#### **6.1. (B) PROCEDURE:**

Once a potential project has been identified, RDA will conduct a preliminary review for eligibility utilizing the CRLF criteria. If another lending source is more appropriate, or the project does not meet the CRLF criteria, RDA will refer the prospective borrower to another organization for assistance.

If the project appears to meet the criteria, RDA will request that the potential loan candidate provide additional information and documentation as needed to complete the loan application package. This may include, but may not be limited to business and personal income tax returns for the last three years or since commencement of operations (whichever is more recent), business financial statements (balance sheet and income statement) for current year and prior three years, current personal financial statement, credit history, and proposed project summary. Start-up businesses must submit pro-forma financial statements for the first five years.

Once the loan application has been prepared and packaged, RDA staff will then forward the loan package to the underwriting consultant who then reviews and prepares the underwriting recommendations. The loan packages will be reviewed for calculation and content accuracy, and underwriting requirements based upon the HUD Underwriting Guidelines.

Once RDA has received the loan package back from the underwriting consultant, staff will schedule a loan review meeting with the LRC. At the loan review meeting, the LRC will review the application. Prior to adjourning the meeting, the LRC will vote as to whether or not to recommend funding of the loan applicant's project. If the LRC votes to recommend the loan for funding, the LRC will send its recommendation to the Calexico Redevelopment Agency Board

for final approval.

In the event that the LRC votes not to recommend the loan application for funding, the loan applicant may appeal to the Loan Review Committee. If not satisfied with decision from the Loan Review Committee, the applicant would then the Redevelopment Agency Board

Upon final approval of the application by the Calexico Redevelopment Agency Board, the loan package will be returned to RDA staff for closing. RDA staff will prepare the loan approval letter and schedule a date for the loan applicant to sign the closing documents. In the event that the loan is not recommended for funding by the LRC, RDA staff will prepare a letter of denial and send it to the loan applicant.

RDA staff will also be responsible for monitoring the loans that have been approved for funding through the CRLF. The staff will prepare a monthly fund report balance which will report the principal and interest recaptured during the month, the disbursements made throughout the month and the funds committed but not yet disbursed and the amount remaining in the CRLF which is unencumbered. The report will be based upon the monthly statements from the lender on each loan. This report will be presented to the Redevelopment Agency Board and the Loan Review Committee on a monthly basis.

The RDA staff will also prepare a quarterly summary of the total loans outstanding and authorized loans, which will include a statement on each loan, showing payments, loan balance, delinquencies, and actions to collect on delinquencies. Staff will prepare a quarterly employment report to monitor job creation and retention; and, maintain a loan loss and delinquent file and a tickler file. This report will be presented to the Redevelopment Agency Board and the Loan Review Committee on a monthly basis.

RDA staff will ensure that workers are not displaced by the relocation of loan awardees from one labor market to another. They will also ensure that NEPA and CEQA requirements are met over the life of the loans; and, that the loan awardees carry the proper insurance policies.

### **6.1. (C). LOAN CLOSING:**

Upon recommendation of the LRC and approval by the Calexico Redevelopment Agency Board, RDA staff will prepare for the loan closing. The Borrower will sign all the necessary documents and agreements. The City will request a draw down of funds from the State Department of Housing & Community Development (the timing of the request may vary depending on the project). RDA staff will prepare the loan closing documents, prepare title and lien searches, and UCC-1 filings, if appropriate (the pre-closing checklist and escrow instructions attached in Exhibits 6, 7A and 7B will be developed and used for each loan closing City legal counsel will review all agreements and documents, as necessary.

The RDA Staff will undertake loan closing. At the time of closing, the Borrower will be provided with a checklist outlining their obligations under the CRLF Program. At closing, or another specified time, funds will be disbursed to the Borrower.

RDA staff will complete any remaining legal, regulatory or other items (Exhibit 8 contains an Imperial checklist). Monitoring and compliance files will be set-up at this time.

### **6.1. (D). LOAN MONITORING:**

Two separate loan files will be maintained. The first is the legal file, which holds all the original loan documentation. This file shall be kept in the City's fireproof vault for safekeeping. The second is a credit file, which shall contain the day-to day administrative records of the loan. At a minimum the legal file shall include:

- Note
- Loan Agreement, including Non-Financial Employment Plan
- Mortgage
- General Security Agreement
- Personal Guaranty
- Corporate Guaranty
- Subordination Agreement
- Life Insurance Policy and Assignment
- Hazard Insurance Policy and Assignment
- General Resolution
- Certificate of Secretary
- Opinion of Counsel
- Intercreditor Agreement

Exhibit 9 is an explanation of the items in the legal file.

The credit file shall contain, at a minimum, the loan application and financial information associated with the application, credit memo, LRC recommendation, final City approval, disbursement records, reports of site visits, updated financial information provided by borrower, job creation/retention data, etc.

A reporting system will be established for each loan and the loan portfolio as a whole. The report will be updated at least quarterly. RDA staff shall be responsible for preparation of this report. The report will be used by RDA staff to monitor the loans and identify problems. The report will contain the following:

- **Fund Report Balance:** A monthly summary of the beginning fund balance, principal and interest recaptured during the month, disbursements made during the month and funds committed but not yet disbursed, and the unencumbered amount remaining in the CRLF. The monthly account statement from the lender on each loan will serve as the basis for this report.
- **Portfolio Summary Report:** A quarterly summary of the total loans outstanding and authorized loans. The report shall include a quarterly statement on each loan, prepared by the lender. The quarterly report shall include the last payment date and loan balance. Delinquent loans shall be identified and a summary of actions to date to collect delinquent loans shall be included.
- **Employment Report:** A quarterly report on each project detailing the jobs created/retained, and those hired that meet the Targeted Income Group.
- **Loan Loss and Delinquent File:** A list of all loans that have been classified as uncollectable and a summary of foreclosure procedures to date on the loan. Loans that are delinquent will also be listed, along with a summary of recommended steps, and steps taken to date.
- **Tickler File:** The Tickler File will document collateral and insurance. It will be maintained to protect the interest of the CRLF with respect to collateral and insurance issues.

In addition, a loan monitoring file will be established which will include a summary of the monitoring requirements of the State Department of Housing and Community Development. A tickler file will be part of this overall file to insure that loan and CRLF Program monitoring is undertaken and completed on a timely basis.

## EXHIBIT I

### *LOAN UNDERWRITING GUIDELINES*

The loan underwriting policies of the Calexico Redevelopment Agency Revolving Loan Fund (CRLF) are designed to insure the Program's on-going viability, assist businesses that could not proceed without the CRLF, and ensure that the CRLF assistance is appropriate for obtaining the national objectives of the CDBG program.

#### **HUD UNDERWRITING GUIDELINES:**

The Calexico Redevelopment Agency has adopted the HUD underwriting guidelines to determine whether a proposed CDBG/CRLF subsidy is *appropriate* to assist the business expansion or retention. In addition, the project will be reviewed to determine that a sufficient level of *public benefit* will be obtained from the expenditure of the CDBG or CRLF funds in support of the project.

The objectives of the underwriting guidelines are to ensure:

- that project costs are reasonable;
- that all sources of project financing are committed;
- that to the extent practicable, CRLF funds are not substituted for non-Federal financial support;
- that the project is financially feasible;
- that to the extent practicable, the return on the owner's equity investment will not be unreasonably high;
- that to the extent practicable, CRLF funds are disbursed on a pro rata basis with other financing provided to the project; and
- sufficient public benefit will be received from the expenditure of CRLF funds.

#### ***Project Costs are Reasonable***

All project costs will be reviewed for reasonableness, and to avoid providing either too much or too little CRLF assistance relative to the CDBG program's national objectives to be achieved. The amount of time and resources expended evaluating the reasonableness of a cost element shall be commensurate with its costs. In some instances, it will be necessary to obtain third-party, fair-market price quotations or a cost element. Particular attention will be documenting the cost elements in non-arms length transactions.

Procedures:

1. Evaluate Sources and Uses of Funds.
2. For each Use of Funds, determine if costs are reasonable.
  - a. For construction, machinery, equipment, determine if the costs are

estimated by a third-party (e.g. architect, engineer, equipment supplier, etc.) Determine if the estimates are included in the application. Determine if the contingency is adequate.

- b. For land, determine if the price is based upon fair market value. If not, determine what the fair market value is and how was price determined. Obtain an appraisal or an opinion of fair market value.
  - c. For development costs (building fees, architectural/engineering costs, financing costs, franchise fees, etc.), determine if these costs are itemized and supported by contracts or other documentation.
  - d. For working capital, compare the amount of working capital to industry averages, risk, historical needs of the business and the projected need. Analyze business financial statements, projections, operating cycle and financial ratios.
3. A higher level of review will be required if there are no third party estimates.
4. Sources of information:
- Sources and Uses of Funds statement
  - Financial Statements and Projections
  - Industry Averages (Robert Morris)
  - Third party costs estimates
  - Calexico Planning and Public Works Departments
  - Realtors
  - Appraisers
  - Architects/Engineers
  - Contractors
  - Equipment Suppliers
  - Other similar projects

### ***Commitment of All Sources of Project Financing***

Prior to the commitment of CRLF funds to the project, a review shall be conducted to determine if sufficient sources of funds have been identified and committed to the project, and whether the participating parties have the financial capability to provide funds as planned. The review will also determine if the project is viable and will move ahead in a timely manner.

In conducting the underwriting analysis, the approximate terms and conditions of all other funding sources is usually known, however, in certain circumstances, the CRLF may commit its funds in advance of final commitments from other funding sources. Final commitments from the other funding sources will be required, with the substantially similar terms and conditions as

used in the underwriting analysis, will be required prior to any loan closing or disbursement of funds.

Procedures:

1. Evaluate Sources and Uses Form.
  - a. For all sources of funds, determine if there is evidence verifying commitment or intent to commit.
  - b. For debt sources, be in receipt of letters of intent or interest, which specify the level of commitment and terms/conditions of the loan. The proposed terms should be reflected in the projected business debt schedule and in the financial projections. Determine if actual loan packages have been submitted to lenders.
  - c. For equity sources, determine if the equity injection is verified on the business or personal financial statements. Or if the equity is to be provided by an investor, obtain evidence of the level and terms of commitment (e.g. letter of intent with accompanying financial statement verifying availability of funds).
2. Sources of information:
  - Sources and Uses of Funds
  - Business and Personal Financial Statements
  - Letters of intent/interest from lenders, partners and investors

***Avoid Substitution of CDBG Funds for Non-federal Financial Support***

The project will be reviewed to ensure that, to the extent practicable, CRLF funds will not be used to substantially reduce the amount of non-federal financial support for the project. This guideline is to make the most efficient use of the CRLF.

To receive CRLF funds a project must prove a "financial gap." This gap must be thoroughly documented. There are three types of financial gaps, of which two are discussed below, and the third is discussed under the criteria of "Return on Equity Investment." One project may have two different gaps. The types of gaps are as follows:

- A. Unavailability of Capital: The project can afford the repayment cost of financing, but is unable to obtain the funds from either debt and/or equity sources. In regards to debt, the gap may be a result of a lender's loan to value requirements or the perceived inherent risk of the industry or project. For example, a lender will only loan 70% of the project's cost. In this case, the business may not have the cash to bridge the gap, or if the business bridges the gap, its cash flow may be so restricted as to jeopardize the business. In order to document this gap, several



steps need to be undertaken. The lender needs to be contacted to determine if there is any ability to increase the size of their loan. Other lending sources, both public and private, need to be explored. This includes looking at the business owners' personal financial statements for potential funds, including home equity loans.

In addition to looking at the business and personal financial statements and tax returns, a pro forma cash flow analysis needs to be prepared and analyzed, with and without CRLF funds, to demonstrate the gap.

The terms and conditions of a loan under this gap analysis should be comparable to the market.

- B. Cost of Capital: The project cannot support the interest rate, loan term and/or collateral requirements of a lender. A single project may not be able to support the rate, terms and collateral requirements, or may just face a single hurdle. In addition, the gap may only exist in the early years of the project.

To determine the gap, business and personal financial statements and tax returns will be analyzed. Sources of equity shall be explored. Public and private funding sources that would bridge the gap shall be evaluated. Pro forma cash flow analysis shall be developed with and without the CRLF funds to demonstrate the gap. Depending on the gap, the terms or rate shall be adjusted to a rate that allows the project to proceed but are not too generous. Terms can be adjusted to allow for deferrals of principal and /or interest, or to allow loans to be amortized over a longer period. Interest rates can be adjusted, including increases in the rate over time as cash flow allows.

In analyzing this gap, discussions with the lender are important to determine if it may be possible to obtain any flexibility in terms.

**Procedures:**

1. Review the Sources and Uses to determine if other sources of funds, such as SBA, RD, business, personal or investor equity, etc. may be available.
2. If the need for CRLF funds is based upon a lender's loan-to-value requirements, determine if this requirement is reasonable and appropriately based upon the project's risk and location.
3. If the need is based upon the cost of funds, then conduct a review of the financial information to validate the need for the CRLF funds.
  - a. Review historical and projected financial statements.
  - b. Determine if revenues, expenses, debt service, officer's salaries,

owner's draw, net operating income are reasonable via a comparison of historical financial information and industry averages (Robert Morris).

- c. Review projections with and without CDBG funds. Determine if the project can support more debt within prudent underwriting guidelines. Determine if net operating income, owner's draw, and the degree of equity participation is reasonable.

4. Sources of information:

- Sources and Uses of Funds
- Financial Statements
- Projections
- Industry Averages (Robert Morris)
- Other Financing Programs
- Lenders

***Financial Feasibility of the Project***

Each project will be examined to determine the financial viability of the project, and thus the reasonable assurance that the public benefit will be realized. The current and past financial statements for both the business and individuals must be analyzed, along with tax returns and projections. The assumptions behind the projections must be critically analyzed. Income and expense costs shall be evaluated and compared historically, where applicable, and compared to industry averages (using guides such as Robert Morris' Annual Financial Statements). Project costs, including both hard and soft costs, must be determined to be reasonable. Accurate project costs are vital to determining project feasibility.

As part of the financial analysis, the past, current, and projected financial data shall be analyzed to determine if the job estimates are reasonable and supportable. Labor costs shall be evaluated against the break-even point. In addition, labor costs shall be evaluated against industry averages. Variations should be explained in the loan analysis.

The terms and conditions of the CRLF loan must be appropriate. In general, the interest rate shall be set at a rate where available cash flow is able to meet debt obligations, after other obligations are met, with enough cash flow remaining to operate successfully. The loan term typically is based in the asset being financed. The term should not exceed the economic life of the asset being financed. Nonetheless, a longer loan amortization schedule, with the loan due at the end of the economic life may be justifiable in unusual circumstances.

Each loan shall include a written explanation of the appropriate analysis that was undertaken, and the reason, terms and conditions by which the loan was approved.

**Financial Analysis.** Historical and projected financial statements will be subject to financial

analysis to determine the gap, and structure of the terms and conditions of the CRLF loan, as discussed above, but also to determine that the project is feasible. In addition, using prudent underwriting guidelines, it must be demonstrated that the proposed loan is of sound value and that past earnings and future prospects indicate an ability to meet debt obligations out of revenues.

Information that will be required to be submitted by the applicant will depend upon the project, ownership structure and whether it is an on-going or start-up business. In general, the information required is outlined in the CRLF checklist in the exhibits.

The financial analysis will differ depending on whether the business is a start-up or existing business. The analysis will include for existing businesses a spread of the current and financial statements to determine trends. The pro forma statements will then be compared to these past statements. Financial ratios will be analyzed. The statements and ratios will be compared to industry averages. For start-up business the projections will be analyzed and ratios developed, and both compared to industry averages.

Ratios that will be analyzed include:

- Current Ratio: current assets/current liabilities. This ratio is a rough indication of a company's ability to service its current obligations. A ratio of 2:1 is considered secure.
- Quick Ratio: cash & equivalents plus accountants & notes receivable/current liabilities. This ratio is a refinement of the current ratio. A ratio of 1:1 usually indicates ample liquidity.
- Cash Flow Coverage: net profit & depreciation & depletion-amortization expenses/current portion of long-term debt. This ratio is a measure of the ability to service long term debt.

Another coverage ratio is: earnings before interest & taxes/annual interest expenses. This ratio is a measure of a firm's ability to meet interest payments. A cash flow coverage of 1.25 debt service shall be used as a guideline.

- Debt to Worth: total liabilities/tangible net worth. This ratio is the relationship between debt and a business net worth. A lower ratio is an indication of greater long-term financial safety and greater flexibility to borrow. In general, underwriting policy requires that a debt to worth ratio should not be greater than 5:1. Exceptions may be permitted when the industry average is high due to its capital intensive nature or when projections show the ratio lowering quickly.
- Collateral Coverage: The value of collateral as compared to the amount of the loan. Typical underwriting guidelines suggest that 125% of loan balance be used. However, this is highly dependent on the quality and security of the collateral. In addition, collateral requirements are a cause of "financial gaps." The CRLF shall

use 125% as a guideline, which shall only be lowered with specific and detailed analysis and explanation.

- Break-even Analysis: The analysis of the project's ability to support the projected labor costs and additional debt service at its break-even point (BEP) will be analyzed to determine what proportion of the jobs can be supported at that BEP. This will serve as a worst-case look at the business' prospects for success, ability to service new debt, etc.

The financial and ratio analyses must be supported by the business plan. The business plan must provide a clear understanding of the project, its competition, market strategy, sales estimates, management and other factors.

To ensure project feasibility, an evaluation of the experience and capacity of the business will be conducted in order to determine their ability to achieve its projections.

Procedures:

1. Perform financial underwriting analysis.
  - a. Spread historical financial statements and projections. Identify any significant differences. Compare to industry averages.
  - b. Review assumptions to projections. Determine if projections are reasonable and supported by market studies, business plan, and historical trends.
  - c. Review financial ratios for project. Compare to industry averages. If significantly different, determine the reasons and impact on feasibility.
  - d. Review cash flow for project. Determine if there is adequate working capital.
  - e. Determine break-even point for project, and how much the projections are above the break-even point. Determine if the public benefit will be realized at the break-even point.
2. Review the business plan, market information, historical financial statements, projections, ratio analysis, break-even analysis, spread sheet analysis and management capacity to determine the project feasibility.
3. Sources of information:
  - Historical financial statement
  - Financial Projections
  - Business plan
  - Market and industry information
  - Industry Averages

### ***Return on Equity Investment***

The return on equity investment is the amount of cash that the invested business owner is projected to receive in relation to their initial equity. For a sole proprietor, this equates to salary plus net income. The CRLF should not provide more than a reasonable return on investment to the business owner. This will help ensure that the CRLF will maximize the use of CRLF funds and not unduly enrich the business owners or investors. Care shall be taken to ensure that the rate of return will not be too low, so that the business owner will be well motivated to work toward the success of the business.

If the project's financial returns are projected to be too low to motivate the business or for another investor to proceed with the project, then risks of the project outweigh the returns.

An inadequate rate of return, adjusted for industry and local risk factors, is another method to determine the gap appropriate to be funded with CRLF funds. To analyze this gap, the projected return on investment must be compared to the return on investment on similar projects. If it is shown that a gap does exist, then the CRLF financing rate and terms must be set at a rate that provides a return equal to the market rate. Real estate appraisers and lenders are important sources of information on market rate returns.

#### **Procedures:**

1. Review projections.
  - a. Review revenues, expenses (including officers' salary/owners' draw), debt service and net operating income. Compare to historical financial information and to industry averages. Determine if these items are reasonable.
  - b. Review indicators of owners' return on equity, including officers' salary, owners' draw, and net operating income. Given the project's risk and local conditions, determine if the return on equity is reasonable compared to industry averages.
2. Review the business and personal obligations. Determine what return on equity is necessary to meet personal and business obligations.
3. If return on equity is above industry averages, adjusted for risk and local conditions, take steps to reduce the return to within a reasonable rate by restricting owners' draw/officers' salary, or adjusting the CRLF loan terms.
4. If return is below average, adjust CRLF subsidy to bring the rate of return closer to the industry average.

5. Sources of information:

- Financial projections
- Historical financial statements
- Personal financial statements
- Industry averages

***Disbursement of CRLF Funds on a Pro Rata Basis***

To the extent practicable, CRLF funds should be disbursed on a pro rata basis with other funding sources to avoid placing CRLF funds at a greater risk than other funding sources. When it is determined that it is not practicable to disburse CRLF funds on a pro rata basis, other steps shall be taken to safeguard CRLF funds in the event of a default.

Procedures:

1. Review Sources and Uses of Funds. Determine when CRLF funds will be expended as compared to other funds.
2. Determine other funding sources' policies towards expenditure of funds. These policies may require the use of CRLF funds first. If so, may be necessary to negotiate with other funding sources.
3. If CRLF funds are to be expended first, consider actions to safeguard CRLF funds such as requiring performance or completion bonds.
4. Sources of information:
  - Sources and Uses of Funds
  - Construction Contracts
  - Lender Requirements/Policies

***Standards for Evaluating Public Benefit***

Each project will be reviewed to determine if at least a minimum level of public benefit will be obtained from the expenditure of CRLF funds. The minimum standards are that the project must lead to the creation or retention of at least one full-time job per \$35,000 of CRLF funds used.

Procedures:

1. Review historical financial statements.
  - a. Review historical labor costs as a percentage of revenues. Compare the percentage to projected labor costs. Determine if the two figures are consistent. If not, obtain an explanation.
  - b. Determine if the number of projected jobs is consistent with the projected increase in labor costs. Compare the projected labor cost percentage to industry averages.
2. Review the projections.
  - a. Determine if the assumptions used to project revenues and labor costs are reasonable. Determine if revenues and labor costs are supported by market/ industry information and historical financial statements.
3. Determine if project meets minimum public benefit requirements. There must be one full-time equivalent job for every \$35,000 in CRLF funds, or one TIG resident per \$350 in CRLF funds residing in the area served by the project.
4. For shared or mutual benefit infrastructure projects, determine the area of benefit, negotiate fair share contributions, and track jobs from the benefiting business.

## **EXHIBIT II**

### ***LOAN AGREEMENT***

#### **OUTLINE**

1. THE LOAN
  - a. Loan/Note
  - b. Term and Repayment
  - c. Purpose
  - d. Employment
  - e. Use of Funds
  - f. Other Loans/Funds
  - g. Disbursement of Funds
2. CONDITIONS OF LENDING
  - a. Note and Loan Agreement
  - b. Security Agreement
  - c. Deeds of Trust
  - d. Guarantees
  - e. Non-Financial Employment Plan Agreement
  - f. Governmental Approval
  - g. Approval of Others
3. EVENTS OF DEFAULT
  - a. Non-payment of Loan
  - b. Non-payment of other indebtedness
  - c. Incorrect Representation of Warranty
  - d. Default in Covenants
  - e. Employment
  - f. Voluntary Insolvency
  - g. Involuntary Insolvency
  - h. Judgments
  - I. Right Upon Default
  - j. Sale/Refinancing/Change of Ownership
4. OTHER DOCUMENTS
5. COLLECTION AGENT
6. WAIVER
7. ATTORNEY FEES
8. EXHIBITS INCORPORATED BY REFERENCE



9. NOTICES

10. HEIRS, SUCCESSORS and ASSIGNS

11. AMENDMENTS

Exhibit A - REPRESENTATIONS AND WARRANTIES

Exhibit B - AFFIRMATIVE COVENANTS OF THE BORROWER

Exhibit C - NEGATIVE COVENANTS OF THE BORROWER

Exhibit D - MISCELLANEOUS

Exhibit E - PROJECT ASSURANCE

Exhibit F - NON-FINANCIAL EMPLOYMENT PLAN AGREEMENT

I. General Terms

II. Employment Recruitment

III. Referral

IV. Placement

V. Training

VI. Controlling Regulations and Laws

VII. Indemnification, Assignment Modification and Renewal

VIII. Acceptance

**EXHIBIT III**

**CALEXICO REDEVELOPMENT AGENCY**  
**OF THE CITY OF CALEXICO**  
**LOAN REVIEW COMMITTEE**

***Project Evaluation Form***  
***CRLF General Guidelines and Criteria***

Company Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: ( ) \_\_\_\_\_ Applicant Loan # \_\_\_\_\_

1. Recommendation:

2. a) Description of Business/Project:

b) Resume:

c) Comment:

3. CRLF CRITERIA

- a) Creation of at least one job per every \$35,000 loaned.
- b) Leveraging ratio of at least \_\_\_\_\_ private to every one CRLF dollar.
- c) Availability of 51% jobs created to low and moderate income persons.
- d) Confirmation of existence of financing gap.
- e) Business/Project located at or relocating to.
- f) Environmental Assessment completed or scheduled to be completed.

4. Does the project result in an expansion?

of space?  
of sales?

5. Does the cash flow projection account for the new jobs?

6. What is the time frame for new jobs to start in relation to disbursement of loan proceeds and is it appropriate?

7. Does the project demonstrate a financial gap?

8. Can this gap be met with equity?

9. What are the uses and sources of fund?

10. Program Status

- a) Total Funds Available for Lending \$ \_\_\_\_\_
- b) Total Funds Loaned \$ \_\_\_\_\_
- Current CRLF Balance \$ \_\_\_\_\_

11. Financing Policy

- a) Applicant Request \$ \_\_\_\_\_
- b) Applicant number of years requested \_\_\_\_\_  
Type of Loan \_\_\_\_\_

Comment:

c) Interest rate for loans will be \_\_\_\_\_

d) Security required to adequately collateralize loan.

Value of Collateral Available: \$ \_\_\_\_\_

Project Cost: \$ \_\_\_\_\_

Prior Liens: \$ \_\_\_\_\_

Collateral Surplus \$ \_\_\_\_\_

Additional Collateral: \$ \_\_\_\_\_

TOTAL ADDITIONAL COLLATERAL \$ \_\_\_\_\_

CRLF Loan: \$ \_\_\_\_\_

Collateral Coverage: \$ \_\_\_\_\_

**EXHIBIT IV**

**CALEXICO REDEVELOPMENT AGENCY  
OF THE CITY OF CALEXICO  
REVOLVING LOAN PROGRAM**

**(PRELIMINARY) LOAN APPLICATION**

**I. COMPANY INFORMATION**

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

CONTACT PERSON: \_\_\_\_\_

PROJECT ADDRESS: \_\_\_\_\_

PROJECT ASSESSOR PARCEL NUMBER(S): \_\_\_\_\_

CURRENT NUMBER OF EMPLOYEES: \_\_\_\_\_

PROJECTED NUMBER OF EMPLOYEES AFTER COMPLETION OF  
PROJECT: \_\_\_\_\_

NUMBER OF EMPLOYEES TO BE HIRED DURING YEAR ONE: \_\_\_\_\_  
(Also indicate which month(s) jobs begin)

NUMBER OF EMPLOYEES TO BE HIRED DURING YEAR TWO: \_\_\_\_\_  
(Also indicate which month(s) jobs begin)

TOTAL NUMBER OF NEW EMPLOYEES: \_\_\_\_\_

TOTAL NUMBER OF EMPLOYEES TWO YEARS FROM COMPLETION OF  
PROJECT (or 24th month of State grant term): \_\_\_\_\_

II. PRINCIPAL(S) INFORMATION

NAME: \_\_\_\_\_

POSITION: \_\_\_\_\_

% OF  
OWNERSHIP: \_\_\_\_\_

YEARS OF  
EXPERIENCE: \_\_\_\_\_

III. EXISTING FACILITY

SIZE: \_\_\_\_\_ SQ.FT.

OWNED OR LEASED? \_\_\_\_\_

IF OWNED:

PURCHASE PRICE \$ \_\_\_\_\_

EXISTING MORTGAGE \$ \_\_\_\_\_

RECENT APPRAISED VALUE \$ \_\_\_\_\_

ANNUAL MORTGAGE PAYMENTS \$ \_\_\_\_\_

IF LEASED:

MONTHLY RENT \$ \_\_\_\_\_

ANNUAL RENT \$ \_\_\_\_\_

EXPIRATION DATE OF LEASE \_\_\_\_\_

IV. NEW/EXPANDED INFORMATION (IF APPLICABLE)

SIZE \_\_\_\_\_ SQ.FT.

WILL NEW FACILITY REPLACE EXISTING FACILITY? \_\_\_\_\_

IF REPLACED, WILL RENT BE SAVED OR WILL EXISTING FACILITY BE  
SOLD? \_\_\_\_\_

CURRENT MARKET VALUE OF EXISTING FACILITY? \$ \_\_\_\_\_

PURCHASE PRICE OF NEW FACILITY \$ \_\_\_\_\_

APPRAISED VALUE \$ \_\_\_\_\_

WILL PURCHASER OCCUPY ENTIRE SPACE? \_\_\_\_\_

IF NO:

EXPLAIN

OTHER

USES:

\_\_\_\_\_  
\_\_\_\_\_

% TO BE OCCUPIED BY PURCHASER: \_\_\_\_\_

RENTAL INCOME GENERATED: \$ \_\_\_\_\_

V. PRINCIPAL BANK INFORMATION

NAME OF BANK: \_\_\_\_\_

CONTACT PERSON: \_\_\_\_\_

TELEPHONE NUMBER: \_\_\_\_\_

AVAILABLE LINE OF CREDIT: \_\_\_\_\_

VI. PROJECT COSTS

NEW CONSTRUCTION \$ \_\_\_\_\_

REHABILITATION \$ \_\_\_\_\_

OFF-SITE IMPROVEMENTS \$ \_\_\_\_\_

ACQUISITION \$ \_\_\_\_\_

OTHER: \$ \_\_\_\_\_

TOTAL: \$ \_\_\_\_\_

VII. PROJECT FUNDING

CRLF \$ \_\_\_\_\_

BANK \$ \_\_\_\_\_

COMPANY \$ \_\_\_\_\_

OTHER \$ \_\_\_\_\_

TOTAL \$ \_\_\_\_\_

VIII. PROJECT DESCRIPTION

IX. ADDITIONAL INFORMATION



X. INFORMATION REQUESTED BY LRC

- \_\_\_\_\_ BUSINESS INCOME STATEMENTS  
(CURRENT & LAST THREE (3) YEARS)
- \_\_\_\_\_ BUSINESS BALANCE SHEETS  
(CURRENT & LAST THREE (3) YEARS)
- \_\_\_\_\_ PERSONAL FINANCIAL STATEMENTS
- \_\_\_\_\_ INCOME TAX RETURNS  
(LAST THREE YEARS)
- \_\_\_\_\_ DEBT SCHEDULE
- \_\_\_\_\_ RESUME(S) OF OWNER(S) AND BUSINESS HISTORY
- \_\_\_\_\_ ITEMIZED THIRD PARTY COST ESTIMATE
- \_\_\_\_\_ PRELIMINARY PLANS INCLUDING FACADE RENDERING
- \_\_\_\_\_ SIGNED ASSISTANCE AGREEMENT
- \_\_\_\_\_ \_\_\_\_\_

I/WE HEREBY ACKNOWLEDGE THAT LRC DOES NOT AND CANNOT GUARANTEE THAT I/WE WILL RECEIVE FINANCING FROM THE CRLF, OR PUBLIC OR PRIVATE LENDERS. IN ADDITION, CRLF FINANCING WILL NOT BE PROVIDED WITHOUT ADEQUATE DOCUMENTATION REGARDING FUNDING OF THE BALANCE OF PROJECT COSTS.

APPLICANT SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

APPLICANT SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

**EXHIBIT V**

**REVOLVING LOAN FUND**

**PROJECT CHECKLIST**

1. Business Information:

- \_\_\_\_\_ Business Plan
- \_\_\_\_\_ Resume(s) of Principal(s)(normally those with 20% ownership or more)
- \_\_\_\_\_ Articles of Incorporation/By-Laws
- \_\_\_\_\_ Certificate of Good Standing (obtained for Corporations from Secretary of State)
- \_\_\_\_\_ Partnership Agreement
- \_\_\_\_\_ Franchise Agreement
- \_\_\_\_\_ Fictitious Name Statement

2. Project Information:

- \_\_\_\_\_ Purchase Agreement (Deposit Receipt)
- \_\_\_\_\_ Preliminary Title Report on Property to be Acquired
- \_\_\_\_\_ Preliminary Plans and Specifications
- \_\_\_\_\_ Cost Estimates (Construction, Machinery & Equipment)
- \_\_\_\_\_ Lease Agreement, Existing or Future
- \_\_\_\_\_ Project Appraisal
- \_\_\_\_\_ Applicable Permits and Licenses
- \_\_\_\_\_ Copy of Equity Capital/Buy-Out Agreement
- \_\_\_\_\_ Summary of Collateral

3. Financial Information:

a. Business

- \_\_\_\_\_ Income Statement - past three years plus current (within 60 days)
- \_\_\_\_\_ Balance Sheet - past three years plus current (within 60 days)
- \_\_\_\_\_ Aging Schedules of Accounts Receivable/Payable (same date as current Balance Sheet)
- \_\_\_\_\_ Schedule of Existing Debt (same date as current Balance Sheet)
- \_\_\_\_\_ Business Federal Tax Returns (past three (3) years) (Used to verify/supplement Financial Statements)
- \_\_\_\_\_ Income and Cash Flow Projections (next two (2) years)
- \_\_\_\_\_ Pro Forma Balance Sheet

b. Personal:

\_\_\_\_ Personal Financial Statements of Principal Owner(s) (normally those with 20% Ownership or more)

\_\_\_\_ Individual Federal Tax Returns of Principal(s)

4. Other Information:

\_\_\_\_ Corporate Resolution to Borrow

\_\_\_\_ Letter of Assurance from Business as to Hiring Policy, Training Agreements, Location, Use of Proceeds, etc.

\_\_\_\_ Assistance Agreement

\_\_\_\_ Other

**EXHIBIT VI**

**REVOLVING LOAN PROGRAM**

**PRE-CLOSING CHECKLIST**

- \_\_\_\_\_ A copy of the construction contract between the business and the general contractor.
- \_\_\_\_\_ A copy of final construction/rehabilitation plans stamped by the appropriate local agency – Imperial County Planning and Building Department.
- \_\_\_\_\_ A copy of the Construction Contractors Performance Bond (100% Performance, Labor and Material Bond - owner as obligee).
- \_\_\_\_\_ A copy of the building permit.
- \_\_\_\_\_ A letter from an insurance agent, stating that hazard insurance will be in effect upon closing of the loan, naming the Lender as mortgagee. Insurance should be for the total amount of the project.
- \_\_\_\_\_ A copy of the contractor's workers' compensation and Builders Risk Policy.
- \_\_\_\_\_ A lien form (UCC-1) on all machinery and equipment to be held as collateral.
- \_\_\_\_\_ Copy of the purchase agreement between buyer and seller.

## **EXHIBIT VII**

### **REVOLVING LOAN PROGRAM**

#### **SAMPLE ESCROW INSTRUCTIONS**

Send to Title Company or Bank Escrow Officer. Reference the Escrow number obtained from Preliminary Title Report. Put in letter format.

#### ***OUTLINE***

1. Identify parties of the transaction. Give Escrow Number if you have had one assigned in Preliminary Title Report.
  - Names
  - Legal Structure (if business)
  - Address
2. Recite intentions of above parties.
  - Identify Buyers and Sellers
  - Identify Sources and Amounts of Financing
  - Identify Role and Duties of all Parties
  - Identify Order of Priority of Parties to security or collateral
3. Identify all Documents submitted.
  - Loan Agreement(s)
  - Promissory Note(s)
  - Deed(s) of Trust (Identify position for filing)
  - Assignment(s) of Deed(s) of Trust
  - Notice(s) of Default
  - Personal and Corporate Guarantee(s)
  - Checks - including maker, amount, and payee
  - Any other appropriate documents
4. Instructions and Authorizations to Escrow Officer.
  - Delivery of Checks and/or documents
  - Insertion of dates and conforming of documents - all dates same
  - Recordation of Documents after signatures obtained
  - Disbursement of Checks and/or funds
  - Insurance and delivery of policies of Title Insurance
  - Delivery of other documents
  - Return of original documents
  - Bill the borrower for any charges incurred for your services

5. Conditions to be met prior to Recordation

- Sample language:

"You are authorized to record the appropriate documents and disburse our deposited check when the following conditions have been met:"

- Hazard Insurance on Fixed Assets, Specify amount and assignees
- Signing of the construction contract
- Project surety bonding, specify type and terms
- Other policies of Insurance (eg. Life and Liability), specify amounts and assignees
- Evidence of appropriate licenses and permits
- Endorsements of Title Insurance
- Evidence of execution of other loan agreements
- Evidence of deposit of cash equity by borrower and/or investors
- etc.

NOTE: It is essential that project escrow instructions be reviewed by an attorney prior to submittal to the Title/Escrow Company.

Date \_\_\_\_\_

Agent \_\_\_\_\_

Title Company \_\_\_\_\_

Address \_\_\_\_\_

City and State \_\_\_\_\_

Dear:

You are in the process of closing an escrow for the purchase of \_\_\_\_\_. The purchasers are \_\_\_\_\_.

The Calexico Redevelopment Agency of the City of Calexico will be making a loan from the CDBG Enterprise Loan Fund in the amount of \$\_\_\_\_\_. The term of the loan will be \_\_\_\_\_ years at \_\_\_\_\_ percent interest. The loan would be fully amortized over a \_\_\_\_\_ year period.

Prior to disbursing the funds from escrow you should complete the following list of items:

1. Have four (4) originals of the loan agreement signed and return them to RDA for signature.
2. Prepare note and second Deed of Trust \_\_\_\_\_, California. This should also include assignment of rents.
3. Place a second Deed of Trust in the amount of \$ \_\_\_\_\_ on \_\_\_\_\_.
4. Have \_\_\_\_\_ sign both originals of the Guarantee Agreement provided and return them to me.
5. Obtain evidence of Life Insurance in the amount of the loan outstanding, assigned to the RDA.
6. Obtain evidence of Fire and Liability insurance on both properties being used as collateral. A minimum of \$\_\_\_\_\_ on the \_\_\_\_\_ property. RDA is to be added as loss payee on all such properties.
7. Collect \$ \_\_\_\_\_ as a Loan Origination fee for RDA.

8. All fees to be paid by the Borrowers.

After the above activities have been completed, and prior to the disbursement of the Funds, we would like to review the documentation for completeness.

Please let me know if you have any questions.

Sincerely,



## **EXHIBIT VIII**

### **REVOLVING LOAN FUND CHECKLIST**

1. Discuss CRLF program with potential clients and make a preliminary determination on eligibility. If they are expanding or locating their business in Sample, and can create one new full time job per \$35,000 loaned, and can demonstrate a need for CRLF financing ("gap"), they may be eligible.
2. Review financial statements and project information. See attached checklist for items required for a complete review.
3. Discuss project with Redevelopment Agency's CDBG coordinator to determine eligibility.
4. If the project appears appropriate and necessary, prepare a preliminary application and a project evaluation. See attached sample for guidelines.
5. Review preliminary application and project evaluation form .
6. If the project appears reasonable:
  - a. return application with comments to RDA.
  - b. prepare the environmental review
  - c. schedule Loan Review Committee (LRC) meeting (RDA).
7. Finalize application - 2 originals, 1 to RDA, 1 to Client.
8. Submit application to RDA. Distribute copies to LRC members in advance of meeting (RDA).
9. Present proposal to LRC (RDA).
10. Post public notice for environmental review and hold public comment period. Allow up to \_\_\_\_ days for comments. If environmental review is negative, terminate application and review process (RDA).
11. Record and transcribe minutes of meeting (RDA). Prepare a brief summary of the meeting.
12. LRC reviews project and makes recommendation (RDA).
13. RDA Director approves/conditionally approves/denies application.
14. Send letter to client outlining conditions, LRC recommendation and Draft Loan Agreement (RDA).

15. Client accepts terms and conditions.
16. Confirm that conditions (obtaining insurance, bank loan, etc.) have been met or are likely to be met (RDA/.
17. Prepare escrow closing instructions for Title Company (RDA).
18. Prepare loan agreement including employment agreement, guarantee agreement, security agreement and promissory note, if applicable. Have client sign 4 originals (3 to RDA, 1 to client) and 1 copy for monitoring (RDA).
19. Meet with client to re-emphasize the employment agreement after loan agreement is signed. The client will be monitored for compliance on a quarterly basis for five years after loan closing or until the loan is repaid, whichever is less. The RDA shall submit reports to the RDA Board and LRC. Reports shall be in a mutually agreeable format.
20. Review closing documents (RDA).
21. Request funds disbursement. Funds will be released the Friday following the Friday of the week during which the request was submitted (RDA). Check should be made out to title company, with the escrow number on the check.

## **EXHIBIT IX**

### **FORECLOSURE GUIDELINES**

The collection function of servicing a loan is typically organized into several areas. This includes collection of past due payments, counseling of borrowers with financial difficulties and institute foreclosure actions when necessary. The collection effort is vital to the viability of the CRLF Program, without collection of payments when due, the efforts of sound underwriting and originating the loan are fruitless.

Beyond solid underwriting and loan origination procedures, loan monitoring is critical. The Calexico Redevelopment Agency Staff and the Loan Review Committee shall review the on-going financial statements submitted to detect problems early. When problems or negative trends are noted, the business shall be referred to Calexico Redevelopment Agency for business counseling. In addition, when the loan servicing agent notifies LRC of a late payment, business counseling will also be undertaken.

Dealing with loan collection and perhaps foreclosure is complicated and requires compliance with strict legal standards. Foreclosure must be invoked as a last result. Under the CRLF Program, the loan collection agent (RDA) will provide loan collection, servicing and asset liquidation. Asset liquidation will only be undertaken with concurrence with the RDA's legal counseling.

The collection process will usually begin when a Borrower fails to remit payment. The first step is that the Bank will send a reminder notice. The notice will ask the Borrower to check their records and to disregard the notice if payment has been sent. If payment is still not received by the specified date, RDA Staff will inform LRC. RDA Staff will also send out notice that the payment is delinquent and due immediately. RDA Staff will contact the business personally to determine the reason for the late payment. Business counseling will be set-up. If the business is experiencing financial difficulties and unable to meet their obligations, a meeting between the business, RDA Staff will be set up.

Communication between the business and the RDA and the Loan Review Committee is critical and a required part of the loan collection process. Judicious personal contact at this stage can prevent future problems, including legal actions. Based upon the personal contact, review of the financial statements and business counseling a decision will be reached based upon RDA and LRC advice. The decision is whether additional counseling will improve the problem. If not, then there are essentially two options. The first is debt restructuring. This arrangement may call for call for reduced payments for a period of time. These discussions shall involve other lenders in the project. Such arrangements require careful analysis of the Borrowers situation and cooperation. Any arrangement constitutes a legal modification to the loan and must therefore be reduced to a written agreement. If the new agreement is breached, RDA has preserved its legal right to foreclose. There may be other options, such as recasting of the loan. However, any restructuring shall be made after consultation between the RDA and LRC, including legal counsel. The State of California Department of Housing and Community Development staff shall also be advised.

If nothing can be resolved with the above steps, the RDA will send a demand letter to the Borrower. This letter will give the Borrower a short time period upon which to respond. If no response is received or the response is not satisfactory, then foreclosure procedures shall be undertaken by the RDA (with RDA's legal advisor providing concurrence). Foreclosure is the last step due to legal and other costs. The RDA shall undertake their normal foreclosure procedures and liquidate the assets to recover all or a portion of the CRLF funds.

## **EXHIBIT A**

### **REPRESENTATIONS AND WARRANTIES**

The borrower represents and covenants the following:

- a. **DULY ORGANIZED:** The Borrower is a (corporation, partnership, or sole proprietorship) duly organized, validly existing, and in good standing under the laws of the State of California and has the power to enter into this Agreement and to borrow hereunder.
- b. **DULY AUTHORIZED:** The making and performance by the Borrower of this Agreement, and the execution and delivery of the Note, and any Security Agreements and Instruments have been duly authorized by all necessary corporate actions and will not violate any law, rule, regulation, order, writ, judgment, decree, determination, or award presently in effect or result in a breach of or constitute a default under any bank loan or any other agreement or instrument to which the Borrower is a party or by which is or its property may be bound or affected.
- c. **LEGALLY BINDING INSTRUMENTS:** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors. The parties agree to execute such further documents and instruments as shall be necessary to carry out the terms of this Agreement, and such documents and agreements shall likewise be binding upon the parties and their successors.
- d. **NO LEGAL SUITS:** There are no legal actions, suits, or proceedings pending, or to the knowledge of the Borrower, threatened against the Borrower before any court or administrative agency, which if determined adversely to the Borrower, would have a material adverse affect on the financial condition or business of the Borrower.
- e. **NOT IN DEFAULT:** The Borrower is not in default of any obligation, covenant, or condition contained in any bond, debenture, note, or other evidence of indebtedness or any mortgage or collateral instrument securing the same.
- f. **TAXES ARE PAID:** Borrower has paid in full all taxes and assessments levied by any taxing agency, federal, state, or local against Borrower or its personal or real property.
- g. **NO ADVERSE CHANGE:** The Borrower certifies that there has been no adverse change since the date of loan application in the financial conditions, organization, operation, business prospects, fixed properties, or personnel of the Borrower.

h. EVIDENCE OF PROJECT FUNDING: The Borrower has submitted to the Lender acceptable evidence (e.g., bank commitment letter) of financing or liquidity for the balance of project cost.

i. HAZARDOUS SUBSTANCES: The Borrower does not know or believe or have reason to know or believe, that hazardous substances are now, or have been, generated, stored, treated, handled, disposed of, released or otherwise located on the property.

**BORROWER:**

By: \_\_\_\_\_

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

Date: \_\_\_\_\_

## EXHIBIT B

### AFFIRMATIVE COVENANTS OF THE BORROWER

The Borrower agrees to comply with the following covenants from the date hereof until the Lender has been fully repaid with interest, unless the Lender shall otherwise consent in writing:

- a. **PAYMENT OF THE LOAN:** To pay punctually the principal and interest on the Note according to its terms and conditions and to pay punctually any other amounts that may become due and payable to the Lender pursuant to the terms of this Agreement or Note.
- b. **PAYMENT OF OTHER INDEBTEDNESS:** To pay punctually the principal and interest due on any other indebtedness now or hereafter owing the Borrower to the Lender or any other lender.
- c. **INSURANCE:** To obtain at its sole cost and keep in full force and effect during the term of this agreement broad form property damage, hazard insurance covering fire and extended coverage in amounts at least equal to the unpaid balance of the note naming the RDA as a loss payee, personal injury, employers, and comprehensive form liability insurance in the amount of \$1,000,000 per occurrence providing that the RDA, its officers, agents, and employees shall be named insured under the policy, and that the policy shall stipulate that this insurance will operate as primary insurance, and that no other insurance effected by RDA or other named insured will be called upon to cover a loss covered there under. To obtain evidence of fire and extended coverage insurance in the amount of at least the fair market value of the real property and any and all improvements which are the subject of the security described in Paragraph 1 of the Loan Agreement shall be submitted to RDA within 15 days of the execution of this Agreement naming RDA as a loss payee under such policy. Such evidence shall be acceptable to Lender in its sole discretion. A title policy, acceptable to the Lender in its sole discretion, with endorsements required by Lender shall be provided by Borrower.
- d. **CERTIFICATES OF INSURANCE:** To file with RDA within 15 days of the execution of this agreement, a certificate of insurance and an endorsement which shall provide that no cancellation, major change in coverage, or expiration will be made during the term of this agreement, without 30 days written notice to RDA prior to the effective date of such cancellation, or change in coverage.
- e. **PAY ALL TAXES:** To pay and discharge all personal property taxes, assessments, and governmental charges upon it or against its properties prior to the date on which the penalties attached thereto apply, except that the Borrower shall not be required to pay any such tax, assessment, or governmental charge which is being contested in good faith and by appropriate proceedings. If so requested by Lender, Borrower will provide a bond guaranteeing payment of such taxes or assessments in any case in which Borrower contests any tax and refuses to pay under this section.

f. **PROVIDE ADDITIONAL EQUITY:** To provide additional equity funds to cover additional project costs incurred as a result of overruns or unanticipated expenses or changes in work orders in the project as specified in the Loan Commitment Letter.

g. **MAINTAIN EXISTENCE:** To maintain its existence, rights, privilege, and franchises within the State of California and qualify and remain qualified in each jurisdiction in which it's present or future operations or its ownership of property requires such qualifications.

h. **PROVIDE FINANCIAL AND JOB INFORMATION:** To maintain adequate records and books of account, in which all of its business and financial transactions will be entered in accordance with generally accepted accounting principles.

“In addition, the Borrower agrees to deliver to the Lender quarterly financial statements certified by an authorized officer of the Borrower to be true and accurate copies within thirty (30) days of the close of the quarter; annual financial statements also certified by an authorized officer of the Borrower to be true and accurate copies within sixty (60) days of the close of the period; annual financial statements, prepared by an independent accountant and certified by an authorized officer of the Borrower to be true and accurate copies within ninety (90) days of the close of the period. The Lender retains the right to request audited statements from the Borrower, to be obtained at the Borrower's expense”

The Borrower's Agent, the Job Training Agency, has agreed by separate Agreement to provide job hiring or saving data to the Lender every (3) months for the period of the Loan or five (5) years, whichever is less. This job data will include but not be limited to the number of new hires, wages, title, starting date or jobs retained that directly relate to this loan.

The Borrower will comply with record keeping requirements. All records concerning the construction, including invoices, receipts and contracts will be kept for a period of not less than three years from the closing of the loan or completion of construction, whichever is later. All relevant records pertaining to the project shall be accessible and available for inspection or audit by Lender for the same time period. If directed so by the Lender, Borrower shall deliver to the Lender all records, accounts, documentation and other relevant materials relating to the receipt and disbursement of loan funds.

The Borrower further agrees to provide written notice to the Lender of any public hearing or meeting before any administrative or other public agency which may in any manner affect the chattel, personal property, or real estate securing the Loan.

i. **RIGHT TO INSPECTION:** To grant the Lender, until the Note has been fully repaid with interest, the right at all reasonable hours to inspect the chattel, personal property, and real estate used to secure the Loan, and to provide the Lender free access to the Borrower's premises for the purpose of such inspection.

j. **NOTICE OF DEFAULT:** To give written notice to the Lender of any event within 15 days of the event that constitutes an Event of Default under this Loan Agreement as described in



Article VI herein or that would, with notice or lapse of time or both, constitute an Event of Default under this Loan.

k. **INDEMNIFY AND HOLD HARMLESS:** Borrower shall indemnify and hold harmless the, Calexico Redevelopment Agency its officers, agents and employees from all claims, suits, or actions of every name, kind and description, brought forth on account of injuries to or death of any person or damage to property arising from or connected with the willful misconduct, negligent acts, errors or omissions, activities giving rise to strict liability, or defects in design by the Borrower or any person directly or indirectly employed by or acting as agent for Borrower in the performance of this Agreement, including the concurrent or successive passive negligence of the Calexico Redevelopment Agency, its officers, agents or employees.

It is understood that the duty of Borrower to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code.

Acceptance of insurance certificates and endorsements required under this Agreement does not relieve Borrower from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.

l. **EXPENSES OF COLLECTION OR ENFORCEMENT:** To pay the Lender, if the Borrower defaults on any provision of this Agreement, in addition to any other amounts that may be due, an amount equal to the costs and expenses of collection, enforcement, or correction or waiver of the default incurred by the Lender's rights under the Note and this Agreement; the prevailing party shall be entitled to its reasonable attorney's fees.

m. **OTHER INSURANCE:** To maintain life insurance in the amount of the loan outstanding. The life insurance policy will be a term policy. The Borrower will assign the amount of insurance to the Lender and submit an acknowledged copy from the insurance company of the assignment.

n. **NULL AND VOID COVENANTS:** In the event that any provision of this Loan Agreement or any other instrument executed at closing or the application thereof to any person or circumstances shall be declared null and void, invalid, or held for any reason to be unenforceable by a Court of competent jurisdiction, the remainder of such agreement shall nevertheless remain in full force and effect, and to this end, all covenants, conditions, and agreements described herein are deemed separate.

o. **JOBS:** To create or maintain the number of jobs described in and comply with the conditions of the Non-Financial Employment Plan Agreement (Exhibit F).

p. **COLLATERAL:** To provide and maintain all collateral property or equipment in good condition and at the original site identified in the loan application.

q. **HAZARDOUS SUBSTANCES:** Neither Borrower nor any tenant of space in the real property shall generate, sell, treat, store, handle, dispose of or otherwise deal with hazardous

material on the property. The Borrower shall comply with all applicable laws, regulations, ordinances, licenses, permits, rules and other codes pertaining to hazardous materials. The Borrower shall indemnify and hold harmless from all liability, claims, penalties, fines, losses damages and expenses of any kind, including, without limitation, clean-up costs and reasonable attorney fees, incurred by Lender as a result of Borrowers breach of the provisions of the Deed of Trust, as a result of Borrower's breach of warranty regarding hazardous substances, or as a result of the presence of hazardous substances on the property.

**BORROWER:**

By: \_\_\_\_\_

\_\_\_\_\_  
Title

\_\_\_\_\_  
\_\_\_\_\_  
Title

Date: \_\_\_\_\_

**EXHIBIT C**

**NEGATIVE COVENANTS OF THE BORROWER**

The Borrower covenants and agrees that, from the date hereof until payment in full of the Note, unless the Lender shall otherwise consent in writing, the Borrower will not enter into any agreement or other commitment the performance of which would constitute a breach of any of the covenants contained in this Loan Agreement including, but no limited to, the following covenants. Any breach of these covenants would constitute an Event of Default, and the rights of default by the Lender may be executed.

- a. **ENCUMBER THE BORROWER'S ASSETS:** The Borrower will not further encumber its assets or incur indebtedness in addition to that now existing and that provided for in this Loan Agreement, except indebtedness incurred in the ordinary course of business and payable within one year.
- b. **SELL THE BORROWER'S ASSETS:** The Borrower will not sell or transfer all or a substantial part of its assets except those usually sold in the ordinary course of the business.
- c. **LEASE OR SUBLEASE PROPERTY:** The Borrower will not lease or sublease all or any portion of the property to be acquired, constructed, or rehabilitated with the proceeds of this Loan.
- d. **CHANGE OWNERSHIPS:** The principles of the Borrower will not permit, without the written permission of the Lender, any material change in the ownership structure, control, or operation of the Borrower including, but not limited to: (1) merger into or consolidation with any other person, firm, or corporation; (2) changing the nature of its business as carried on at the date hereof; (3) substantial distribution, liquidation, or other disposal of the Borrower's assets to the stockholders or any other party.
- e. **CHANGE THE PROJECT:** The Borrower will neither permit nor suffer to exist, without prior written Lender consent, any material change in the project's plans and/or specifications submitted to the Lender as per the Preliminary Loan Application. Material change will include any significant variance in the accepted plans and specifications, increases in contract prices, and/or additional financial obligations with respect to the construction and acquisition of assets.

**BORROWER:**

By: \_\_\_\_\_

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

Date: \_\_\_\_\_

## **EXHIBIT D**

### **MISCELLANEOUS**

- a. **WAIVER OF NOTICE:** No failure or delay on the part of the Lender in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy hereunder. No modification or waiver or any provision of this Loan Agreement or of the Note, nor any consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.
- b. **AMENDMENTS - WRITING REQUIRED:** The Lender hereby expressly reserves all rights to amend any provisions of this Agreement, to consent to or waive any departure from the provisions of this Loan Agreement, to amend or consent to, or waive departure from the provisions of the note, and to release or otherwise deal with any collateral security for payment of the Note provided, however, that all such amendments be in writing and executed by the Lender and the Borrower.
- c. **NOTICES:** All notices, consents, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given to a party hereto if mailed by certified mail, prepaid, to the Lender at its address set forth at the beginning of this Loan Agreement, and to the Borrower at the address set forth at the end of this Loan Agreement or at such other addresses as any party may have designated in writing to any other party hereto. This section does not limit other means of delivering written notice if said notices are actually received.
- d. **PAYMENTS:** The Borrower will make payments to the Lender in accordance with the terms and conditions and instructions contained in this Loan Agreement and the Promissory Note.
- e. **SURVIVAL OF REPRESENTATIONS AND WARRANTIES:** All agreements, representations, and warranties made by the Borrowers herein or any other document or certificate delivered to the Lender in this transaction survive the delivery of this Agreement, the Note and the Security Agreements hereunder, and shall continue in full force and effect so long as the Note is outstanding.
- f. **SUCCESSORS AND ASSIGNS:** This Loan Agreement shall be binding upon the Borrower, its successors, and assigns, except that the Borrower may not assign or transfer its rights without prior written consent of the Lender. This Agreement shall inure to the benefit of the Lender and, except as otherwise expressly provided in particular provisions hereof, all subsequent holders of the Note. Borrower acknowledges that Lender contemplates and may assign the Note and this Agreement and consents to such assignments.

g. COUNTERPARTS: This Loan Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

h. GOVERNING LAW: This Loan Agreement and the Note and Security Agreements, Financing Statements, and Deed of Trust shall be deemed contracts made under the laws of the State of California and for all purposes shall be construed in accordance with the laws of said State.

i. WAIVER: Failure by Lender at any time to require performance by Borrower of any of the provisions of this Agreement shall in no way affect Lender's rights hereunder to enforce the same, nor shall any waiver by Lender of any breach hereof be held to be a waiver of any succeeding breaches or a waiver of this non-waiver clause.

**BORROWER:**

By: \_\_\_\_\_

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

Date: \_\_\_\_\_

**EXHIBIT E**

**PROJECT ASSURANCE**

The Borrower hereby assures and certifies that he/she will comply with all regulations, policies, guidelines, and requirements as they relate to the Sample Revolving Loan Fund (RLF). Also, the Borrower assures and certifies to the Sample Revolving Loan Fund that the project:

- a. Will comply with Title VI of the Civil Rights Act of 1964 (P.L. 88-352) whereby no person in the United States shall on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the Sample RLF by which the Borrower receives Federal financial assistance and will immediately take any measures necessary to effectuate this agreement.
- b. Will comply with Title VI of the Civil Rights Act of 1964 (42-USE 2000d) prohibiting employment discrimination where: 1) the primary purpose of the financial assistance is to provide employment, or 2) discriminatory employment practices will result in unequal treatment of persons who are or should be benefiting from the loan-aided activities.
- c. Will comply with Section 112 of the Public Law 92-65 and Title III of Public Law 94-135 whereby the borrower assures that no person in the United States shall on the grounds of sex or of age be excluded from participating in, be denied the benefits of, or otherwise be subject to discrimination in connection with loan-aided activities.
- d. Will comply with the flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 31, 1976. Section 102 (a) requires, on and after March 2, 1975, the purchase of flood insurance in communities where such insurance is available on a condition for the receipt of any purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "Federal financial assistance" includes any form of loan, grant, or any other form of direct or indirect federal assistance.
- e. Will comply with Section 106 of the National Historic Preservation Act of 1966 as amended (16 USC 470), Executive Order 11593, and the Archeological and Historic Preservation Act of 1966 (16 USC 469a-1 et seq.) by: a) consulting with the State's Historic Preservation Officer on the conduct of investigation, as necessary to identify properties listed in or eligible for inclusion in the National Register (see 36 CFR Part 880.8) by the activity, and notifying of existence of any such properties; and b) complying with all requirements established by the State to avoid or mitigate adverse missing effects.

**Calexico Redevelopment Agency  
Economic Development Department  
Business Assistance Guidelines**

- f. Will give the Calexico Redevelopment Agency of the City of Calexico through any authorized representative the access to the right to examine all records, books, papers, or documents related to the loan.
- g. Will comply with Section 2, of the Public Works and Economic Development Act which state that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing facilities and resources rather than by merely transferring jobs from one labor area to another.
- h. Will assure that any building or facility financed in whole or in part by any funds provided under the Sample CRLF will be designed, construed or altered so as to assure ready access to and use of such building or facility by the physically handicapped. This provision applies only to firms which deal directly with the general public in the normal and usual course of their business, and to facilities in which business is customarily transacted by and with members of the general public.
- i. Will insure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the project are not listed on the Environmental Protection Agency's (EPA) list of Violating Facilities and that it will notify the Calexico Redevelopment Agency of the City of Calexico of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by the EPA.
- j. Will comply with all requirements imposed by the Federal sponsoring agency concerning special requirements of law, program, and other administrative requirements.
- k. Will comply with the Davis Bacon Act, as amended (40 U.S.C.276a--5).

**BORROWER:**

By: \_\_\_\_\_

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

Date: \_\_\_\_\_

**EXHIBIT F**

**NON-FINANCIAL EMPLOYMENT PLAN AGREEMENT**

This agreement, between the Calexico Redevelopment Agency of the City of Calexico ("Lender") and \_\_\_\_\_ ("Borrower") will be used to assure continuing employment opportunities to economically disadvantaged and unemployed residents of the City of Calexico. Under this Non-Financial Employment Plan Agreement, the Employer will use the One Stop Employment Center as its initial resource for recruitment, referral and placement in positions covered herein. This Agreement is not a loan agreement.

**I. General Terms**

- a) The Lender seeks to provide Community Development Block Grant (CDBG) funded low interest loans for business expansion. By virtue of this loan, the Lender expects to realize additional employment opportunities for lower income and unemployed persons. The Lender has negotiated a loan with the Employer as follows and as additionally described in Attachment A (Loan Agreement):

Loan Amount		
Interest Rate		
Term		

- b) In consideration for the loan described above, the Employer agrees to enter into this Agreement and agrees to use the One Stop Employment Center as its initial resource for recruitment, referral and placement disbursement.
- c) The Employer agrees to hire or retain at least one permanent full-time employee (minimum of 1,750 work hours per year) per \$35,000 in CDBG loan funds within 24 months following the first disbursement of the CDBG loan. The employer also agrees that at least 51% of **all** jobs, created as a result of the CDBG loan, will be filled by members of the targeted income group.
- d) It is the Employer's declaration that the business loan described in Section A above and in Attachment One will result in additional employment opportunities (of a non-managerial, not highly technical, and/or non-professional variety), as follows, and as shall be further described in a Job Order Form provided by One Stop Employment Center. (attach additional sheets as necessary):

Job Title		Number Of Positions		Anticipated Hiring Date



- e) One Stop Employment Center will provide employment recruitment, referral, and placement services to the Employer subject to the limitations set out in this Agreement.
- f) The Lender's employment and training responsibilities under this Agreement, unless otherwise assigned, will be carried out by One Stop Employment Center.
- g) This Agreement shall take effect when signed by the parties below; fulfillment of all specified requirements shall be by \_\_\_\_\_  
(24th month of State grant term) .

2. Employment Recruitment

- a) The Employer agrees "covered positions" for the purposes of this Agreement shall include **all** Employer's job openings in the City of Calexico created as a result of internal promotions, termination's, and expansion of Employer's work force, within the positions listed under Section I (d), with the exception of those classified as "non-covered", as defined in Section 2 (c) below.
- b) At least ten working days prior to anticipated hiring dates, the Employer will notify the One Stop Employment Center of its needs for new employees in the covered positions. Notification shall be by Job Order Form provided by the One Stop Employment Center, and shall include, but not necessarily be limited to:
  - i. Number of employees requested by job title.
  - ii. Job description, including minimum qualifications stated in quantifiable and objective terms.
  - iii. Work to be performed.
  - iv. Hiring dates.
  - v. Rates of pay.
  - vi. Hours of work.
  - vii. Anticipated duration of employment.
- c) The following types of positions created by the Employer during the term of this Agreement shall also be regarded as covered by this Agreement: non-managerial, non-professional, and those not highly technical.

The following types of positions are considered non-covered positions: those of a supervisory nature requiring two or more years of formal training; and those filled by internal promotion from the Employer's existing work force; and family members of the borrower/owner.

3. Referral

- a) The One Stop Employment Center will refer job applicants eligible pursuant to the Workforce Investment Act (WIA) and the Community Development Block Grant (CDBG) regulations to the Employer in response to the notification of need for new employees described in Section I (D). RDA/The One Stop Employment Center will maintain the documentation of applicant/employee household income required by the CDBG program, and provide such information to RDA.
- b) One Stop Employment Center will screen applicants according to the qualifications agreed upon with the Employer.
- c) One Stop Employment Center will notify the Employer of the number of applicants it will refer and begin making referrals no later than five working days prior to the anticipated hiring date. One Stop Employment Center will make every reasonable effort to refer at least one qualified person(s) for each job opening.
- d) In the event that One Stop Employment Center is unable to refer any or all of the qualified personnel requested, the Employer will be notified by One Stop. The Employer will then be free to directly fill remaining positions. In this event, the Employer will make a good faith effort to hire economically disadvantaged County residents through additional recruitment techniques in conformance with terms of the loan and approved by the Lender. Employer will then be responsible for verifying targeted income group status, or may refer employee back to the One Stop Employment Center for the determination of targeted income group status.

4. Placement

- a) All decisions on hiring new employees will be made by the Employer; the Employer agrees to provide priority consideration to prospective employees for covered positions from the qualified persons referred by One Stop Employment Center. If the Employer does not find any of the persons so referred to qualify for the opening(s), One Stop will be notified.
- b) RDA Staff will monitor job retention and employment performance of employees placed under the Agreement. The Employer agrees to cooperate in these follow-up efforts, and to provide four times annually hiring summaries until (24th month of State grant term), in a form acceptable to the Lender. This may include, but not be limited to, copies of employee rosters and payroll and tax information submitted to the State of California.

- c) After the Employer has selected employees from referrals by One Stop Employment Center, One Stop will not be responsible for the employee's actions and the Employer hereby releases the One Stop Employment Center of liability.

5. Training

- a) One Stop Employment Center and the Employer may agree to develop additional job training programs. The training specifications and the cost for such training will be mutually agreed upon by the Employer and the One Stop Employment Center and covered under separate training agreement(s).

6. Controlling Regulations & Laws

- a) If this Agreement conflicts with any labor laws or other governmental regulations, those laws or regulations shall prevail.
- b) If this Agreement conflicts with a collective bargaining agreement to which the Employer is a party, the bargaining agreement shall prevail.
- c) The Employer shall not discriminate against any applicant for employment due to race, religion, age, color, sex, national origin, physical handicap, sexual preference, or political affiliation.

7. Indemnification, Assignment Modification and Renewal

- a) The Employer and Lender shall defend and indemnify One Stop Employment Centers and its officers, agents and employees against and hold the same free and harmless from any and all claims, demands, damages, losses, costs, and/or expenses of liability due to or arising out of, either in whole or in part, whether directly or indirectly, the organization, development, construction, operation, or maintenance of the Project except for liability arising out of the concurrent or sole negligence of One Stop Employment Centers, its officers, agents or employees.
- b) If, during the term of this Agreement, the Employer should transfer possession of all or a portion of its business concerns to any other party by lease, sale, assignment or otherwise, the Employer as a condition of transfer shall require the party taking possession to agree, in writing, to the terms of this Agreement and to obtain approval of the Lender. A new Non-Financial Employment Plan Agreement will be executed with the new party prior to the effective date of the transaction.

- c) This Agreement may, upon mutual agreement, be modified in order to improve the working relationship described herein.
- d) The Lender may terminate this Agreement at any time by written notification if its federal, state or local grants are suspended or terminated before or during the contract period.

8. Acceptance

The Undersigned hereby agree to terms and conditions listed herein.

**EMPLOYER/BORROWER**

**LENDER**

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Title

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Title

Date: \_\_\_\_\_

Date: \_\_\_\_\_